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Discount Store News®

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SECOND CLASS

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New Test Unit Provides Peek at Wal-Mart 2000

By Tony Lisanti

ROGERS, Ark. — Wal-Mart's newest store, which recently replaced store No. 1 here about four miles from Bentonville headquarters, is not just another pretty prototype.

Nor is it just another milestone in the history of Wal-Mart or this small town made famous by Sam Walton.

Nor will the new Bentonville store planned for spring 1992 be just another Wal-Mart.

The fact is that the Rogers store—and the new Bentonville store—represent the beginning of a new era for the world's largest retailer.

Save Save
Overall, you save
at WAL-MART
Always
PLEASE
ENTER
HERE

Shopper in Rogers, Ark. Wal-Mart scans screen of VideOcart while in expanded customer service area.

The 126,000 square foot Rogers store, now the largest Wal-Mart chainwide (excluding the Hypermarts as well as Supercenters) represents a commitment to new technology that by the year 2000 could dramatically change store operations for Wal-Mart and other discounters.

Furthermore, the new Bentonville store will represent a major commitment to training as it becomes part of a huge retail education complex planned adjacent to headquarters.

The new technology being tested by Wal-Mart in Rogers includes:

- Video shopping carts;
- The Wal-Mart Sound Associates;
- The Wal-Mart Arts Report;
- Electronic shelf-labeling;
- Consumerscan;
- Shoppers' profiles.

Much of this technology is currently being used or tested by various supermarket chains, but is virtually nonexistent at other discount store chains.

The video shopping carts, called VideOcarts, provide information to shoppers about products, prices, specials, advertisements as well as news and trivia games. (See *DSN*, March 18, page 3). The VideOcart, which has an 8-inch by 10-inch screen, also provides department location for about 600 products. About 75 carts at the Rogers store are equipped with a video screen, which are supplied free from the Chicago-based firm.

(Continued on page 130)

Chap. 11 Discounters Press On

Ames Begins Upward Climb

ROCKY HILL, Conn. — The bad news for Ames: the company lost $793.5 million in the year ended Jan. 26.

The good news: Ames reached operating profitability in the fourth quarter, cut quarterly net losses to $26.7 million from $198.9 million a year ago, and is ahead of its projections for emerging from bankruptcy. Sales for the year were $3.1 billion, down from $4.8 billion a

(Continued on page 123)

Hills Uses Ads To Boost Sales

CANTON, Mass. — Encouraged by sales that are running ahead of plan, Hills is forging ahead with a more aggressive circular advertising program.

A clearer picture of the financial problems that dragged the nation's fifth largest traditional full-line discount store chain into Chapter 11 this year was revealed last month when the chain released its year-end

(Continued on page 123)

ALCO Awaits Loan Approval

ABILENE, Kan. — The future of the 100-unit Duckwall-ALCO chain, based here, hinges on General Electric Capital Corp.'s (GECC) approval of a $42 million revolving loan, according to the discounter's recently filed disclosure statement.

If the Chapter 11 reorganization plan is approved, Kansas Development Fund, (KDF)—a partnership which represents the Kansas Public Employees Retirement System, or KAPERS—would be Duckwall's largest stockholder, owning 59% of stock (before the exercise of GECC's warrant for the purchase of stock equal to 20% ownership.) Currently, KDF owns 18% of H.D. Holding Inc. stock, Duckwall's parent, following a leveraged buyout in 1985.

If completed, the investment by KDF would be the

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A SPECIAL DSN REPORT

Retailing Around the World:

Endless Possibilities Or Endless Problems?

A 'New World Order' may provide a host of new opportunities for retailers around the globe. But, substantial obstacles must be overcome if U.S. firms are going to be successful at exporting American-style retailing—Section starts on pg. 69

Toys 'R' Us Blazes Path For Overseas Discounters

By Laura Liebeck

PARAMUS, N.J. — When it comes to American success stories in foreign markets, Toys "R" Us is a model example.

Already a seasoned international retailer, Toys "R" Us has amassed a network of 97 stores in eight foreign countries. With 1990 sales of $772.9 million, TRU International accounted for about one-sixth the chain's $5.5 billion sales total last year, up from 1% in 1985.

Twenty-five new stores were added to TRU's international roster in 1990, a pace that will quicken in the coming years to between 30 to 35 stores annually. There are even

(Continued on page 130)

International Retailing Drives Woolworth Gains

By Mary Ellen Kelly

NEW YORK — Woolworth Corp., long associated with the local nickle and dime store in small town America, is weaving its stores into the fiber of the global retail market. The shops where U.S. consumers bought lollypops and school supplies as children are still down the street, but they are a much smaller piece of the giant Woolworth scheme.

In fact, in 1990 alone, nearly half of the international retailer's $9.8 billion sales revenues were generated in overseas operations, up from $8.8 billion in 1989.)

Domestic sales (including general merchandise and spe-

(Continued on page 130)

MARKETWATCH

Caldor Opens 122nd Unit; IPO Launched

TURNERSVILLE, N.J. — Caldor has opened unit No. 20 for New Jersey, pushing total store count to 122. The store is located about three miles from the site of the first Wal-Mart in New Jersey, slated to open in late summer. Caldor logged sales of $1.76 billion in 1990. The Norwalk, Conn.-based discounter also began an initial public offering of 5.15 million shares April 24, priced $21 per share; 3,669,385 of the shares are being offered by the company and 1,480,615 by stockholders. The stock is being traded on the New York Stock Exchange under the symbol CLD. The net proceeds will be used to pay down outstanding debt incurred when Caldor was purchased from the May Company by Odyssey Partners, L.P., a New York-based leveraged buyout firm, two years ago. The public offering represents 30.7% of ownership; Odyssey remains the largest single investor with 35.1%. Caldor management owns 9% of the company.

Venture Sales Blossom in Spring

O'FALLON, Mo. — Venture, Caldor's former sister chain in May Company's discount division, reported a 6.2% same store sales gain for February and March. For the nine weeks ended April 6, sales rose 10.8% overall to $212.8 million from $192 for the first two months of 1990. For March alone, sales rose 11.5% to $131.2 million from $118.1 million. The March sales gains reflect a shift of Easter to March from April 1991.

Goldblatt's Osowski Resigns

CHICAGO — Joe Osowski, president of Goldblatt's, has resigned to pursue other interests and the 11-store chain has appointed Clarence Farrar, vice president of its parent JG Industries, as interim president until it can name a permanent replacement. Goldblatt's serves primarily Chicago's ethnic markets. It plans to open two new units this year to bring unit count up to 13.

Rose's Opens One-Vendor Apparel Shops

HENDERSON, N.C. — Rose's Stores has set up an instore shop featuring Lightning Bolt apparel and accessories in its 235 stores. The shop is designed as a spring promotion that will last at least four months and coincide with sales promotions. It incorporates Lightning Bolt apparel from the boys', young men's and men's categories into one area. The shop has a back wall display featuring large posters and signage. Depending on the size of the store, varying numbers of rounders and waterfall fixtures are used to merchandise the products. The initial results of the shop were above those expected for men's wear, though it has not done as well in boys', according to Lou Vargochik, dmm, children's wear.

Hi/LO Goes Public to Pay Down Debt

HOUSTON — Automotives aftermarket chain Hi/LO is going public in a bid to pay down leveraged buyout debt. Hi/LO expects to raise about $38.4 million by selling 3.2 million shares at $12 per share in an initial public offering that could take place as early as mid-May. Hi/LO will use the proceeds to pay down debt from both a 1987 LBO and a 1989 acquisition of Fischer's, a 24-unit automotives chain.

Best Products Closing 39 Stores

RICHMOND, Va. — Best Products, in a major cutback of its business, has begun holding liquidation sales in 24 showrooms that it plans to shut by July. The move, along with the immediate closing of 15 Best Jewelry specialty stores, marks the first realignment of the cataloger's operations since its Chapter 11 bankruptcy filing in January. All the stores were unprofitable, Best said, but the amount of the losses weren't available. The showrooms to be closed include all the units in Florida (5), the Kansas City (6), St. Louis (5) and Columbus, Ohio (2) markets and single stores in San Francisco, Dallas, Philadelphia, Seattle, Lansing, Mich., and East Brunswick, N.J. Best will continue to operate 171 showrooms in 24 states and 18 Best Jewelry units.

US Merchandise Bows 2 Showrooms

CLEVELAND — Cataloger US Merchandise will open two showrooms in September to boost its count to nine units, seven of which are in the Greater Cleveland market. US Merchandise's new Cleveland unit is a 25,000-square-foot showroom being built in the Rocky River section. The other store is a former 30,000-square-foot Jewelmart showroom in Cuyahoga Falls. That Greater Akron market store had been part of the David Weis chain.

IMRA Fighting Protectionism

By Gwen Driscoll

Discount industry leaders are turning up the heat on federal lawmakers for relief from crippling trade restrictions on foreign-made apparel, consumer electronics, toys and other products.

Specifically, industry groups are focusing on strict U.S. restrictions on foreign textiles, the U.S. "fast track" trade negotiation authority, China's "Most Favored Nation" status, and the proliferation of near-impenetrable barriers to U.S. discounters abroad.

The textile area, according to the International Mass Retail Association, is first and foremost on the lobbying hit list. Eager to phase out the Multi-Fiber Arrangement (MFA)—the special trade protection afforded imports of textiles and apparel—IMRA vice president of Government Relations Robert J. Verdisco recently called on U.S. Trade Representative, Ambassador Carla Hills, to press for "liberalization" of international trade.

Specifically, Verdisco cautioned the Bush administration against any continuation of MFA after the year 2001.

"The consequence of such a postponement . . . will be the unnecessary continuation of higher prices for the clothes [consumers] buy at discount stores across the country," he wrote Hills.

Verdisco's letter, according to IMRA senior legislative representative Robin Lanier, comes in response to the failure of international trade negotiators to make any headway on the United States' stiff textile importation restrictions. With MFA due to expire this July, Lanier noted, "IMRA wants to make certain that the U.S. doesn't make the MFA more protectionist, or extend the current MFA for a long period of time."

On another front, industry and labor groups opposed to both the phase-out of protective trade barriers such as MFA, as well as the controversial Mexican Free Trade Arrangement (FTA), are attacking the U.S. "fast track" negotiating authority—an obscure provision included in the Omnibus Trade Act of 1988 which allows the President to negotiate trade deals with the promise of expedient approval in Congress.

Both the current round of international trade negotiations, the "Uruguay Round", and FTA hinge on whether the "fast-track" negotiating authority—scheduled to expire June 1—will be extended by President Bush, said Lanier.

"And that's the problem in a nutshell: if the negotiating authority expires June 1, the Uruguay Round negotiations will undoubtedly collapse, and any attempt to negotiate a Mexican or North American free trade trade arrangement will be pre-empted," Lanier added.

The inclusion of Mexico into the U.S.-Canadian free trade arrangement is anticipated to lower tariffs on a wide range of discount products. FTA would also establish "freer investment opportunities" for U.S. discount chains in Mexico, as well as less stringent transportation agreements that would make trucking merchandise across the border (in either direction) much easier and less expensive.

Discounters face stiff tariff increases as a result of yet another international dilemma: the possible revocation of China's Most Favored Nation (MFN) trading status by Congress. According to Lanier, factors—such as China's poor human rights record—threaten to topple this major discount-goods exporter from the list of nations with low-import tariffs.

"If China were to lose its MFN status the tariffs for imports of Chinese goods would go from 5% to 100%," said Lanier, "Of course, we would find other sources of supply, but there would be a tremendous and costly dislocation. One dis-

(Continued on page 123)

Tony Lisanti (center), editor of DSN, presented the 1989 DISC Award to Target chairman Bob Ulrich and director of community affairs Susan Anderson. Last year's special luncheon was attended by a group of executives from the Minneapolis-based retailer. DSN is currently accepting entries for the 1990 DISC Award for community service. All full-line discount and specialty discount chains are eligible. For information, call Tony Lisanti at 212-371-9400, ext. 221. (DSN photo)

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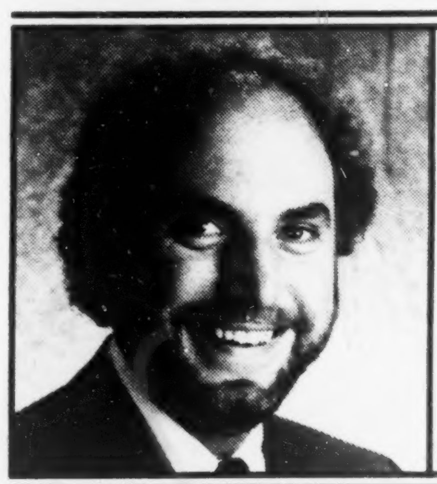
EDITORIAL

Why Toys 'R' Us Will Succeed in Japan

There were about 250 curious, but emotionless faces staring at the podium awaiting the beginning of my 20-minute presentation on Toys "R" Us. The ballroom in the Miyako Hotel was unusually quiet for a full-day seminar that was about to reconvene following a break for lunch.

But, then again, this was Tokyo. The audience was comprised of Japanese retailers, wholesalers and suppliers. The subject dealt with the most debated topics in Japan's retail industry. And Japanese audiences—so I was told—tend to be subdued, but very attentive.

I thought about telling a joke to relax the audience, but I figured this would be a tough crowd even for a comedian. Instead, I concentrated on pronouncing correctly the name of the seminar's moderator—Mr. Tomatsu Matsuhashi, executive editor of *Chain Store Age*/Japan Inc.—and quickly began my presentation about Toys "R" Us. (Diamond-Friedman Co. publishes *Chain Store Age* and other retail magazines and is the Japanese publishing partner of Lebhar-Friedman, Inc., parent company of *Discount Store News*.)



TONY LISANTI
Editor

"Toys "R" Us will succeed in Japan," I predicted to the sellout crowd for the one-day seminar on U.S. retailing co-sponsored by *DSN*. I cited the following:

- TRU's affiliation with McDonald's will help the chain overcome potential problems and pitfalls of distribution and product availability particularly diapers and food-related basics.
- The possible location of a McDonald's restaurant at TRU sites will further enhance the potential of boosting traffic as well as joint promotions and advertising.
- Like McDonald's, TRU is successful at marketing to children as well as adults, creating a family attraction and experience, and in other words, a destination store.
- The location of Encho home centers adjacent to TRUs will create a home and leisure power center, generate additional traffic and possibly further simplify distribution.
- TRU has experienced tremendous acceptance and success in many other international markets.
- TRU's large volume and strong relationship with Nintendo will be an even greater strength in Japan where Nintendo has even more widespread popularity than in the United States.
- The Japanese consumer demands many of the same products as the American consumer, despite arguments by some skeptics that the Japanese have very different tastes.
- TRU will alter its product mix just enough to satisfy the special needs of Japan as it has done in other markets.
- Many Japanese retailers—except small mom and pop stores—welcome the challenge of TRU and believe TRU will generate more traffic to their stores.

During a panel discussion, Mr. Morita, president of Daikuma, the 14-store discount division of Ito Yokado (see page 81), said "TRU will have a tough time in Japan." Morita cited a declining birth rate and stiff competition, and questioned TRU's ability to maintain high in-stocks.

I disagreed pointing out that TRU's concept is not merely a toy store, but a family entertainment center. TRU's product line includes sporting goods and leisure products which several Japanese retail execs admitted were key growth categories for the 1990s.

It was also said that TRU will not be able to merchandise bicycles like they do in the United States because Japanese retailers have a greater selection as well as service specialists. But TRU simply has to expand the department and train its sales staff and service specialists to Japanese standards.

I also rolled the dice and polled the audience. "How many here would shop in TRU; how many of you think TRU will succeed in Japan?" I asked.

The response was unanimous. The emotionless expressions staring at the podium turned into nods of agreement.

Toys "R" Us will be the "textbook case" that will open the doors of Japan to U.S. retailers in the 1990s. The first store is scheduled to open in October.

The world of retailing will be watching . . . and following.

BUYERS & SELLERS

Micromarketing to Deliver Macro Results

How would you like to be able to send the following letter to one of your customers?

Dear Mr. Smith:

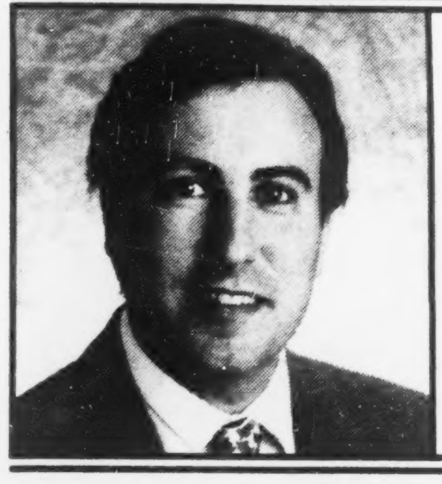
I want to remind you that your wife Marian's birthday is coming up in two weeks on April 5th, and we have the perfect gift for her in stock.

As you know, she loves Escada clothing, and we have an absolutely beautiful new suit available in red, her favorite color, in a 7, her size, priced below typical retail value of $1,500 at $1,250.

If you like, I can gift wrap it at no extra charge and mail it to you next week so that you will have it in plenty of time for her birthday, or, if you would like, I can put it aside so that you can come in to pick it up. Please feel free to give me a call within the next 48 hours to let me know which you'd prefer.

In any event, I appreciate your business and hope to hear from you soon.

Sincerely yours,
Samantha Greene, manager,
YCS Department Stores



DON LONGO
Exec Editor

The day when a retailer will be able to send such a letter to its customers is not that far away, according to Tom Lix, president, Yankelovich Clancy Shulman (U.S.A.). Such micromarketing provides retailers with a way to reach their target customers more efficiently and effectively . . . "with the personal attentiveness, helpful specific information and substantive service that simplifies the shopping process."

Creating the type of detailed database of customer profiles required to produce the letter above is not easy, nor inexpensive. The technology required for micromarketing goes far beyond such common database building techniques as list-based direct mail and geodemographic clustering. The newest systems available today can cross-tabulate demographic, geographic, behavioral, personal and lifestyle data and then develop individual predictive models to bring new customers to your store or to sell more to existing customers.

Obviously, the letter above is an example of the latter reason for employing micromarketing.

"The goal of this one-on-one micromarketing system is to increase the retailer's sales and profits among each selected customer; increase the number of transactions per customer; increase the average size of the transactions; help identify merchandise desired by customers; motivate other members of the customer's household to become loyal customers; and help optimize inventory turnover and eliminate leftover stock," said Lix, in a recent address to marketing executives at IMRA's advertising conference earlier this year.

I believe micromarketing will quickly gain disciples among mass marketers due to massive changes in the makeup and attitude of the consumer population. According to the Yankelovich Monitor, a 20-year tracking of consumer values and attitudes, the consumer of the '90s is seeking substance over style. The retailers who can establish and build relationships with their customers will win in the '90s. You're not going to do that through mass marketing.

Many companies realize this already. Target's specialized marketing toward Hispanic shoppers is just one example of the discounter's niche marketing strategy. And, Kmart's vice president of sales and marketing Bill Parker told me recently that there is no such thing as the "typical" Kmart shopper anymore. Kmart can no longer direct its message solely toward a housewife, between the ages of 18 and 34, with two children and a certain household income. The "typical" Kmart shopper varies widely from product category to product category.

Lix adds this sentiment from a senior marketing executive at Kraft USA: "The mythological homogenous America is gone. We are a mosaic of minorities. All companies will have to do more stratified or tailored or niche marketing."

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Clothing the kids

The apparel business is one based more on want than necessity. If the average consumer bought new clothes only when an item was absolutely needed the ring of the cash register would be quite faint. By definition, fashion infers eventual obsolescence and retailers make it their business to convince customers to keep wardrobes up-to-date.

Merchants strive to also employ the fashion formula to the children's wear business, but in this department their efforts are aided by a simple fact: an ever growing child is often in need of new clothing. Regardless of new trends, or acceptance of new styles, mothers are frequently faced with the task of purchasing new clothing for their children.

According to an exclusive study conducted by the Gallup Organization for *Apparel Merchandising*, many mothers are frequent shoppers. Close to half, 48%, of those surveyed say they shop for clothing for their children once a month. Half of those mothers, 25% of all respondents, say they are in the market for children's apparel at least twice each month.

Discounters are the No. 1 shopping choice for consumers of children's clothing. Department stores finished second, an *AM* Gallup study showed.

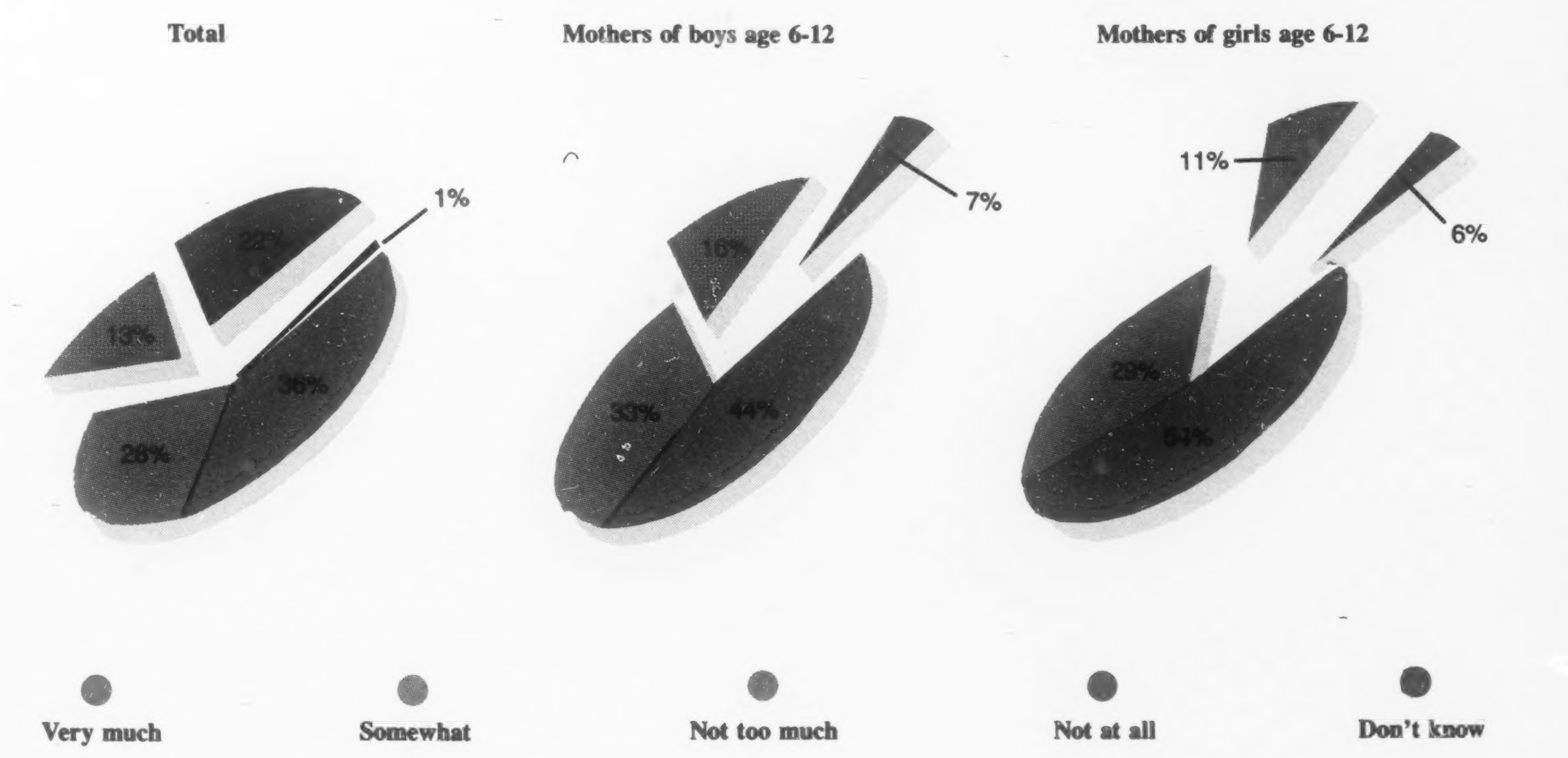
The survey results indicate, however, that mothers are acutely aware of the built in obsolescence of children's wear. Responses to many questions indicate that the price/value equation is very important to these women.

While retailers should not abandon the fashion frontier those interested in garnering a larger share of the children's wear business should pay strict attention to three key components: price, quality and value.

When asked why they usually shop in a particular store for clothing for a child, more than half, 53%, of those surveyed say that they do so because the store offers the "best prices" or "best value." This appears to be the overriding reason behind the buying decision.

Kids Have Clout . . . especially the older ones

(How much does your child's opinion influence your buying decision?)



Source:The Gallup Organization for *AM*.

Slightly more than a quarter, 27%, say they pick a store because of "good selection" while 15% say that the store offers "quality" or "better quality clothes." Convenience also appears somewhat important; 12% say that "location" or "location convenient to my home or office" is why they choose a particular type of store.

Other factors, including service and a plethora of brand names, often considered instrumental to a store choice, appear not to figure greatly in most mothers' thought process. Only 3% choose a particular type of store because of brand names and a scant 2% say their choice is based on service or sales help.

Discounters are the outlet of choice, especially of mothers in the south

Where do you most often shop for clothing for your child?	Total	Region			
		East	Midwest	South	West
Discount store	39%	25%	39%	48%	42%
Department store	36	50	33	30	35
Children's store or specialty store	8	13	11	4	7
Off-price/factory outlet	6	5	6	7	7
Sears	6	6	8	4	2
Montgomery Ward	2	—	1	1	—
Catalog/mail order	1	—	1	1	4
Don't know	1	—	—	3	—

Source: The Gallup Organization for *AM*.

In support of the role price plays in the buying equation, discount stores emerge as mothers' favored outlet; 39% of those surveyed say that they most often shop for clothing for their children in this type of store. The incidence of discount shopping is even more pronounced in the South where it is the choice of 48% of the respondents. Given the concentration of mass merchants in that region this is not a surprising result.

In the East, where discounters do not currently have a strong presence, only 25% of the mothers questioned say this is where they shop. This factor certainly signals a growth opportunity for mass merchants. Kmart, with the company's recent East Coast expansion, and Wal-Mart with plans to penetrate the Eastern market, appear poised to grab a piece of this business.

Older mothers register the lowest incidence of shopping at discount stores; 27% of those mothers 36 years or older choose mass merchants compared with 48% of those 30 to 35 years old and 42% of those 18 to 29. This is understandable when one considers that many older mothers delayed child rearing while pursuing careers and as a result have larger disposable incomes than their younger counterparts.

As one might expect, price is the compelling reason that mothers choose discount stores. While 53% of all those surveyed say that they choose a particular type of store because it has the best prices, almost three-quarters, 72%, of the discount shoppers registered that response. Close to a fifth of those who most often shop at discount stores say that they do so because of selection and 13% choose the store because of location.

While they appear to be doing a good job at satisfying Mom's needs, discounters are not the runaway winner in Mom's opinions. A significant percentage, 36%, of those surveyed say that they most often shop for clothing for their child at department stores. Interestingly, 38% of those who most often shop at department stores say that they do so because the store offers the best prices and value. ➤

The price/value equation is what lures them in

Why do you usually shop in a particular type of store for your child's clothing?	Total	Age of Mothers 18-29	30-35	36+
Price/best price/best value	53%	50%	65%	43%
Good selection	27	29	18	32
Quality/better quality	15	14	14	16
Convenient location	12	12	15	10
Have charge card there	5	6	2	6
Like to shop there	4	2	4	8
Best sizes/fit	4	2	5	6
Easy to shop	3	3	5	3
Brands/name brands	3	2	4	4
Habit/always go there	3	7	—	3
Service/sales help	2	2	2	1
Have catalog	1	—	1	3
Other	2	1	2	2
Don't know	1	1	—	2

Source:The Gallup Organization for *AM*. Percentages add to more than 100% due to multiple answers.

Yet, almost as many, 36%, choose this type of outlet because it offers good selection. Quality and location, the reason of 17% and 15%, respectively, are more important to the department store shopper than to those who most often choose other types of stores.

While the survey indicates that price is far and away the dominant factor in the children's wear buying decision, the children's wear business is not merely a protracted price battle. Retailers strive to differentiate themselves in many ways including selection, presentation and brand name offerings.

Assessing the strength of brand names seems to be one of the most difficult tasks before a children's wear merchant. When asked how frequently they purchase brand name apparel for their children, the majority of mothers surveyed, 43%, responded with an ambivalent sometimes. Brands do, however, seem to be a lure. More than three-quarters, 77%, always, usually or sometimes purchase branded apparel.

According to the Gallup study, most mothers equate brands with quality; 37% of those who always, usually or sometimes buy brands do so because it is better quality merchandise; 17% do so because brands offer good value for the money; and 16% say that branded items are "more durable" and "last longer."

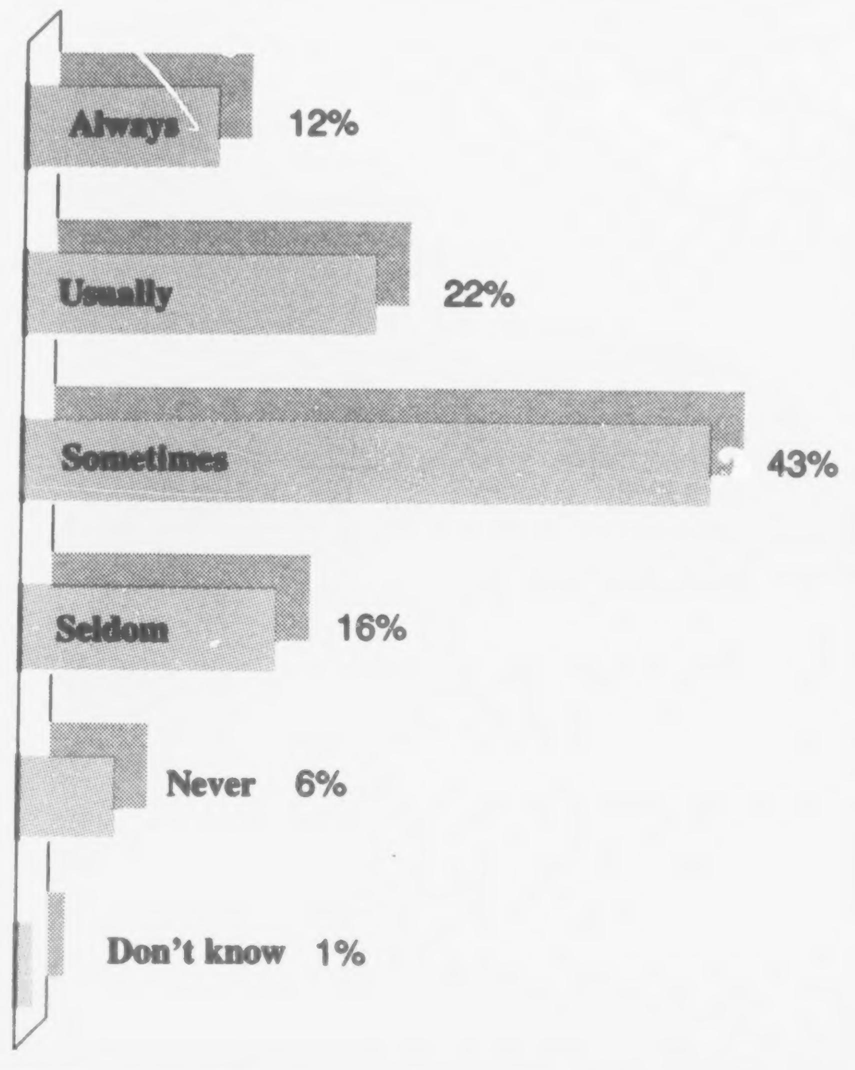
Of the 22% who never or seldom buy brands, 52% say it is because "prices are too high," 18% claim that "no-name brands" are just as good quality as name brands.

Despite the fact that many mothers are frequent shoppers, many still purchase their children's clothing during the traditional occasion periods like back-to-school-Christmas and Easter. According to the study, on average, 30% of the total amount of money spent of children's clothing goes to special occasion items. The aggressive retailer has the opportunity for additional sales by creating more special "must-buy" occasions for children's wear. ◢

Women purchase apparel for their children on a frequent basis. Nearly a quarter, 23%, say they shop for kids' clothing once a month.

Most Mothers Look For Brands

(When you shop for your child how frequently do you buy brand name items)



Source: The Gallup Organization for *AM*.

Younger mothers shop most often

How often do you shop for clothing for your child?	Total	Age of mothers 18-29	30-35	36+
Once a week or more often	7%	11%	4%	5%
Two or three times a month	18	31	12	11
Once a month	23	23	22	25
Every couple of months	33	33	38	38
Twice a year	13	8	16	16
Once a year	2	1	3	1
Less often than once a year	—	1	—	—
Only when needed	2	1	2	3
Only for special occasions	1	1	1	—
Don't know	1	—	2	1

Source:The Gallup Organization for *AM*

On average, mothers spent 30% on special occasion items

What percent of the total spent on clothes for your child goes to special occasion outfits?	Total	Mothers of boys	Mothers of girls
None	3%	3%	3%
1 percent-to-10 percent	19	18	20
11 percent-to-19 percent	3	3	3
20 percent-to-29 percent	15	18	13
30 percent-to-39 percent	8	7	8
40 percent-to-49 percent	4	3	4
50 percent-to-59 percent	15	16	15
60 percent-to-69 percent	2	2	2
70 percent-to-79 percent	8	8	7
80 percent-to-89 percent	4	5	2
90 percent-to-99 percent	3	3	2
100 percent	1	—	1
Don't know	17	14	19

Source: The Gallup Organization for *AM*.

Status Quo in Western Europe

Despite the Continent's Impending Economic Unity in 1992 Retailers See Few Immediate Opportunities in 'New Europe'

The Arc de Triomphe in Paris symbolizes the united European market coming in 1992. (DSN photos)

By Arthur Markowitz

Michael Wahl

Peter Monash

The buzzword in European retailing is 1992.

That's when Western Europe—possibly joined by Eastern Europe—is due to unite into a single economic market.

But chances for most United States retailers to expand their business across the Atlantic will not increase next year—and merchants in the new Europe aren't likely to rush to the United States either.

The core bottom line factor limiting outside merchants from entering either the European or American retailing scene is that both areas are highly developed markets, already home to numerous multistore chains as well as local, privately held companies.

Added to this are the socioeconomic, cultural and marketing factors, like labor laws, that have sharply limited cross-Atlantic retailing ventures in the past and will not be significantly changed when the European Community's 1992 Single Internal Market program—the official name for the united Europe scheme—takes effect.

Niche retailing—unique merchandising formats that are transferable like Toys "R" Us, Foot Locker and the Gap exported to Europe and Benetton, Tie Rack and the Body Shop sent to the United States—will continue to have a brighter future for trans-Atlantic marketing than mass merchants like conventional department stores and full-line discounters.

But the biggest merchandising impact will likely be felt by U.S. manufacturers, who will now have an opportunity to more readily sell to the united Europe. The 12 nations that comprise the European Community (EC) have 326 million-plus consumers, 50% more shoppers than the United States, and they purchase over $4.5 trillion worth of goods and services.

United Europe's potential market is even greater when the countries outside of the EC are added in. These groups include the six Western European nations banded together in the European Free Trade Association (EFTA), the seven Eastern European countries making up the Council for Mutual Economic Assistance (CMEA) and the handful of European states that aren't associated with any economic bloc.

Retailers and manufacturers who plan to exploit the new Europe will have to develop selective strategies keyed to their targeted markets, said Michael Wahl, chairman of the board and chief executive officer of The Howard/Marlboro Group. "1992 will usher in an era of cross-country marketing, but it will succeed only if strategies address country differences as well as the similarities."

Peter E. Monash, president of Peter E. Monash and Associates, one of the leading American consulting firms working with U.S. and European retailers, said successful niche retailers fill specific marketing needs that are either lacking or underexploited in Europe and/or the United States. These merchants tend to be value retailers with sharply defined merchandising focuses. There weren't any mass market toy retailing chains in Europe before Toys "R" Us, he noted.

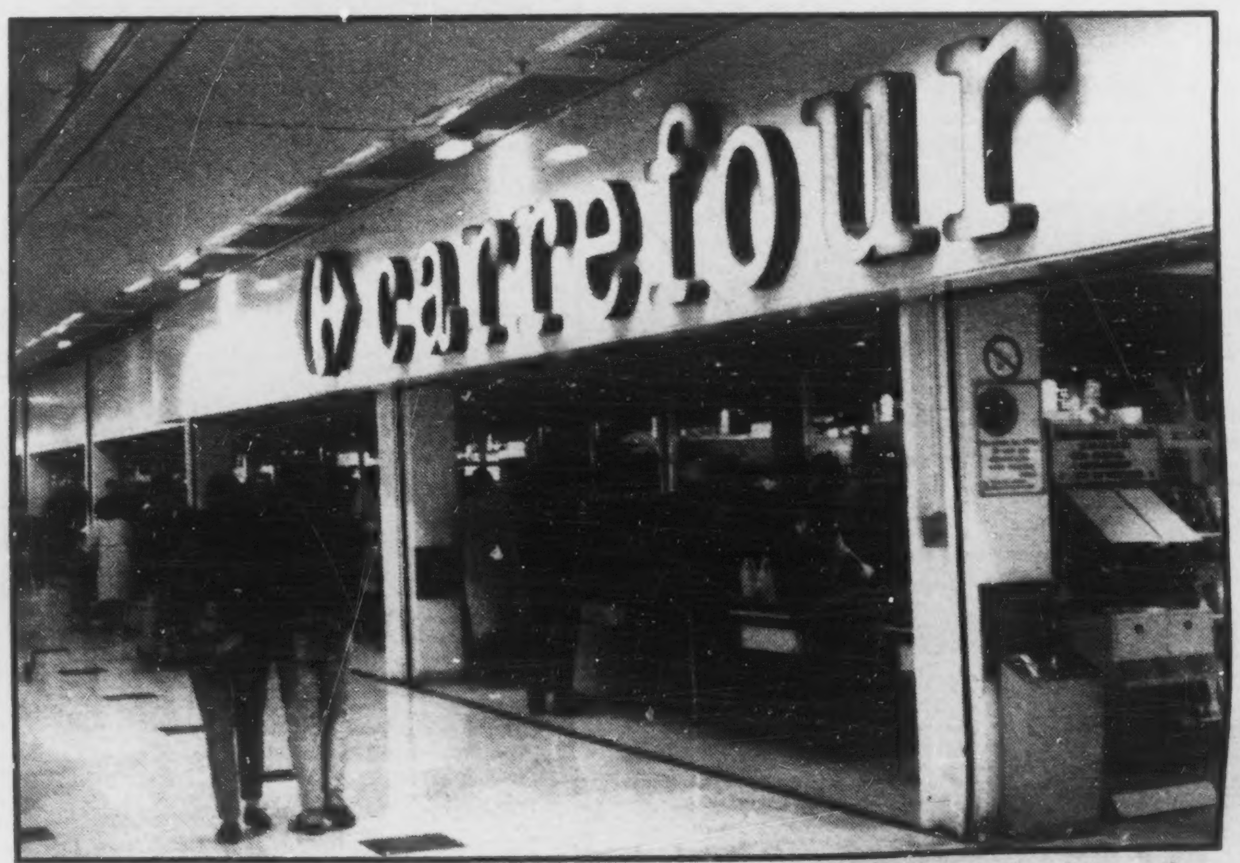
The similar lack of sporting goods megastores is behind Sports Authority's interest in testing a store in Europe, said Jack Smith, president of that Kmart subsidiary.

(Continued on page 100)

WESTERN EUROPE RETAIL SALES GAIN

Country	Percent Growth Retail Sales (1977-1989)
Austria	80.57
Belgium	94.12
Denmark	108.33
France	N/A
Finland	177.50
West Germany	62.58
Greece	907.23
Italy	N/A
Luxembourg	102.94
Netherlands	31.76
Norway	175.00
Portugal	615.12
Sweden	207.29
Switzerland	50.00
Spain	237.21

Source: Euromonitor, London, U.K.



***Carrefour has been** more successful in the United States by investing in chains like Costco Wholesale than by opening hypermarkets.*

NO IMMEDIATE RETAILING OPPORTUNITIES IN WESTERN EUROPE

GO
SPORT
G
SP

Go Sport has separate stores in Créteil, Paris, each devoted to a specific category. (DSN photo)

(Continued from page 99)

While 1992 will simplify and harmonize many technical and bureaucratic regulations that have hindered the free flow of merchandise across European borders, a number of socioeconomic and political obstacles that directly affect retailing will remain.

Steve Burt, Lecturer in International Retailing, Institute for Retail Studies, University of Stirling in Stirling, Scotland, said U.S. acquisition of European merchants will be hindered by the fact that a larger percentage of retailing is carried out by independents and small, privately-held firms whose owners are carrying on family traditions and aren't interested in selling their businesses.

He added that stock in many publicly-held retailers is owned by groups that aren't interested in selling their shares or, as is the case in Germany and the Netherlands, controlled by financial institutions that support a chain's management.

Euromonitor, a London-based research firm, reported that in 1988 (the most recently available statistics) independent retailers in the EC and EFTA accounted for anywhere from 21% of the sales in Germany, the lowest percentage, to 69% in Belgium, the highest share. But that's not the entire picture: many small retailers belong to voluntary associations and buying groups, and this type of organization accounted for anywhere from 4% of sales in Spain to 83% of volume in Italy.

Chains, most publicly-held, on the other hand, accounted for a low of 17% of the sales in Italy to a high of 72% in the United Kingdom.

(Continued on page 115)

GERMANY[1]

CAPITAL: Bonn

AREA: 137,855 square miles

GOVERNMENT: Federal Republic

POPULATION: 77,563,685 (1989)

LANGUAGE: German

GNP: $1,328.2 billion [U.S.] (1989)

PER CAPITA INCOME: $19,470 [U.S.] (1989)

LARGEST RETAILER: Metro

GNP = Gross National Product

[1] = Population for entire nation; GNP, Per Capita Income for West Germany only; East German GNP: $207.2 billion [U.S.] (1988), Per Capita Income: $12,500 [U.S.] (1988)

Source: *DSN* research

FRANCE

CAPITAL: Paris

AREA: 210,026 square miles

GOVERNMENT: Republic

POPULATION 56,304,000 (1990)

LANGUAGE: French

GNP: $1,014.0 billion [U.S.] (1989)

PER CAPITA INCOME: $16,800 [U.S.] (1989 est.)

LARGEST RETAILER: Leclerc

GNP = Gross National Product

Source: *DSN* research

Switzerland's Migros an Integral Part of the Community

ZURICH, SWITZERLAND — Migros is the most unique retailer in the world.

The approximately $9.6 billion (U.S. 1990) Swiss company, founded as a food store in 1926 and turned into a consumer cooperative 20 years later, is almost a mini-government within the Alpine nation.

The first store sold six basic items—coffee, noodles, rice, shortening, soap and sugar—at a 30% discount. Today, as the largest merchant in Switzerland, Migros accounts for almost 16% of the nation's retail sales.

However, the company is also intimately involved in the country's social, communal and economic affairs. Migros supports activities ranging from testing laboratories and public service foundations to cultural endeavors and facilities for the handicapped and senior citizens. Its charter calls for at least 0.5% of sales to be spent on societal purposes, with the actual expenditure usually exceeding this obligatory amount.

Its sociopolitical concerns denote founder Gottlieb Duttweiler's conviction that businesses have societal obligations—the voluntary assumption of economic, cultural and social duties in everyone's interest. Migros' executives and its cooperative membership view funds spent for such activities as investments.

(In the U.S., Sears in the early part of the century supported a variety of social and economic endeavors, the thrust being to improve the standard of living of Americans so that they could become more financially secure and buy more merchandise from the retailer. The Depression in the '30s saw the federal government launch similar programs. Today, a number of retailers make direct contributions to cultural and charitable organizations.)

> **Migros spends at least 0.5% of sales on societal purposes**

The cooperative idea of members having a voice in deciding company policies could become a factor in any Migros expansion in a changing Europe, either through opening stores outside of Switzerland within the upcoming united Western European community and/or through joint ventures in Eastern Europe.

Migros' membership a decade ago rejected the idea of expanding outside of Switzerland, but the company's top policy making body in 1989 determined that it had the authority to undertake such growth without the need for a cooperative membership vote. It has already approved Migros Cooperative Geneva's explorative moves to open a store in Etrembières, France.

While Migros eyes growth possibilities in the new Europe, it is continuing to strengthen its base in Switzerland. Operationally, Migros is phasing in technology that has already become ubiquitous in the U.S. It plans to spend over 250 million Swiss Francs to equip all its stores with scanners by 1995. Installation of an electronic fund transfer system also began last year.

On the financial side, 1990 saw the company's consolidated revenues increase 9% to 13,682.8 million (Sfr.) from 12,553.1 million (Sfr.) in the previous year. Net income jumped 21% to 256.7 million (Sfr.) from 212.1 million (Sfr.).

The Migros cooperative retailing arm's sales increased 7.6%, almost a 50% increase over the 1989 gain, but the stores' share of total company volume slipped 1.3%.

The 12 Migros Cooperatives—each operating a number of stores in a specific area—had 11,458.9 million (Sfr.) in sales last year against 10,648.7 million (Sfr.) in 1989. That year's volume was a 4.6% increase from 1988's sales of 10,180.5 (Sfr.).

But the cooperatives' percentage share slipped to 83.7% of the parent's total volume from 84.8% as the Hotelplan division of travel agencies, hotels and vacation villages boosted its portion almost 21% to 7.5% from 6.2%. Manufacturing, an oil firm, transportation companies and other endeavors accounted for the remaining 8.8% of total revenues.

Migros accounted for 15.5% of Switzerland's re-

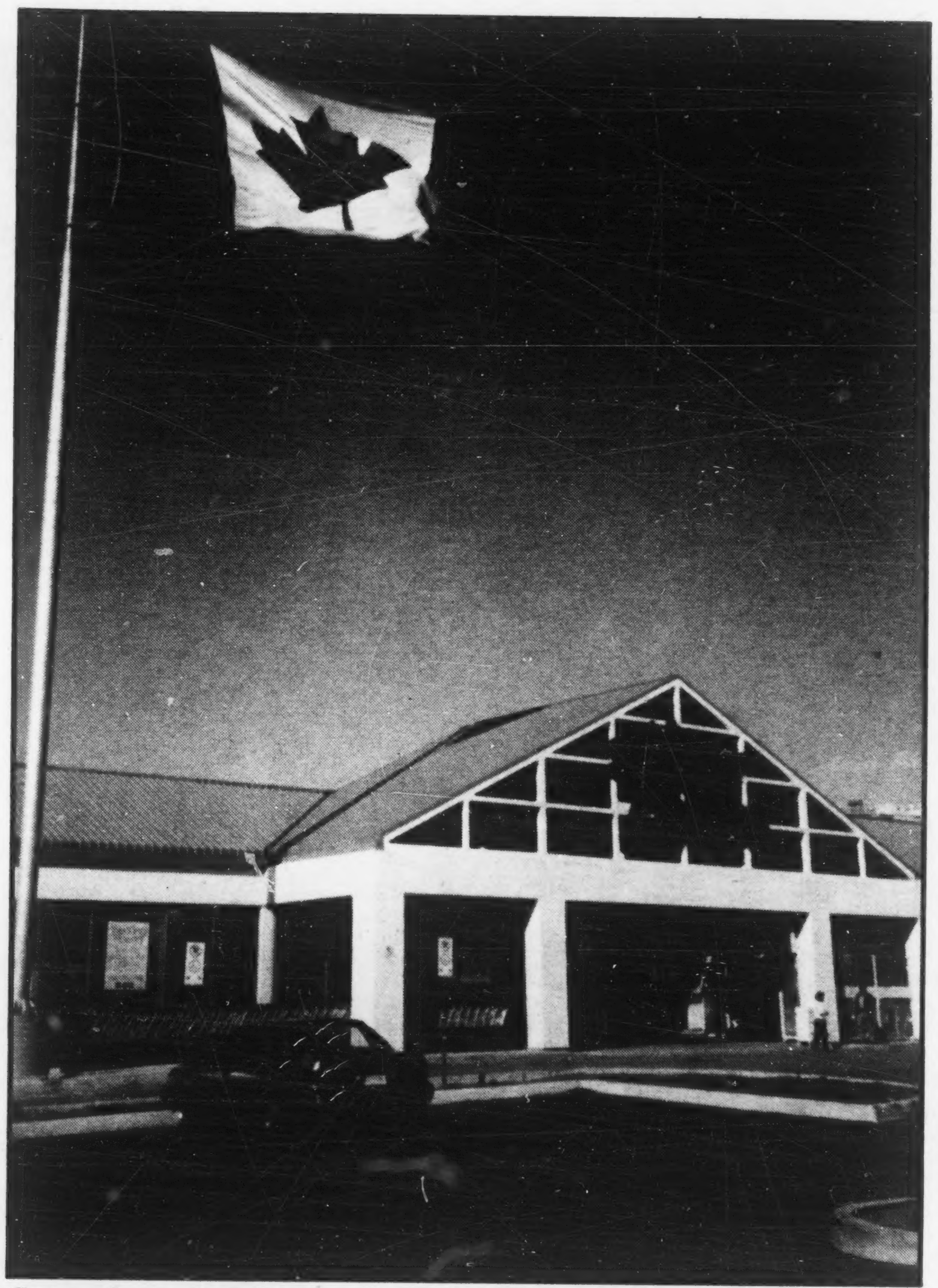
(Continued on page 113)

ENDLESS POSSIBILITIES

ENDLESS PROBLEMS

Northern Exposure

Social Changes, a Sagging Economy, Political Questions and Cross-Border Shopping Complicate Retailing in Canada



General merchandise plays key role at Loblaw's Super Centre. (DSN photo)

By Mary Ellen Kelly

In Canada, promotional department stores are becoming the retail outlet of choice among consumers; mall and shopping center vacancies of between 10% and 15% are driving down retail rental prices; and Canadian consumers prefer U.S. retailing—and prices—and are crossing U.S. borders, at record levels, to shop.

Does all of this make you want to cheer for the Maple Leaf's and open your stores north of the border? Maybe you shouldn't be in such a hurry.

Among the issues that are coming to a boil:

- Quebec's fight for independence from Canada;
- a rash of bankruptcies among specialty store retailers;
- the possibility of a greatly increased minimum wage in at least one of the provinces;
- efforts to control cross-border shopping; and,
- the continued impact of national tax changes.

"The first quarter of this year was the worst decline we've had since the Second World War," said Alasdair McKichan, president of the Canadian Retail Counsel. "Some categories, especially clothing, experienced drops as sharp as 30%. Almost all discretionary spending is down."

Kmart Canada's new president Donald Beaumont explained, "The new tax created a real downward pull; at the same time the recession deepened. It was unfortunate that these things happened at the same time."

Similarly, Paul Walters, president of Zellers, the country's largest discount chain, noted, "The economy is very difficult here, and the introduction of the GST [Goods and Services Tax] hasn't helped . . . But sometimes a downturn can be favorable for aggressive retailers," he added.

Admittedly, lower price stores such as Zellers, Kmart, Canadian Tire and Shopper's Drug Mart are managing solid sales gains, but a sprinkling of the recent bankruptcy filings included promotional chains such as Willy Wonderful, a discount fashion chain.

Other firms that went into receivership within the past six months include specialty stores like Creeds—which McKichan, called one of the best-known upscale fashion retailers in the country—Pascals, a furniture chain; Kettle Creek Fabric Co., which specializes in natural fiber clothing; Senor Angelo, a fashion accessories chain; and Old Firehall Sports. Most of these retailers operate over 50 stores, which is significantly large by Canadian standards.

While economic and political factors like the war in Kuwait impacted retail markets globally over the past few months, cross-border shopping has been a continuing thorn in the side of Canadian retailing. The majority of Canada's population lives close enough to the border to shop in the U.S. and return to Canada within a day.

In 1987, the number of same-day trips to the U.S., as measured at border crossings, were 31 million for the year, said McKichan. Last year, that figure soared to 52 million. For Ontario alone, the rate doubled in the three-year span from 11.7 million to 22.4 million. While a portion of the increase could be attributed to a growth in tourism or international business dealings, McKichan said cross-border shopping is "the only likely explanation for such a rise."

Higher duties on merchandise imported from third world countries, higher tax rates, and an unfavorable exchange rate for Canadian currency makes U.S. stores, most notably discounters, a bargain hunter's dream, especially for apparel purchases, a category affected by each of these factors.

In the case of apparel, implementation of the Goods and Services Tax (GST) at the start of 1991 was a wet blanket to an already smoldering clothing market. The new tax arrangement, which shifted a 13.5% manufacturer tax to a 7% consumer tax, helped some hard lines by allowing manufacturers to cut their prices by roughly the amount of the tax savings (which, incidentally, could have lowered first quarter sales by reducing the price of some goods at the cash register.)

(Continued on page 110)

CANADA

NATION: Canada (10 provinces, 2 territories)
CAPITAL CITY: Ottawa
AREA: 3,558,096 square miles
GOVERNMENT: Confederation with parliamentary democracy
POPULATION: 26,527,000 (1990 est.)
LANGUAGE: English and French (both official)
GNP: $567,773 million [U.S.] (1990)
PER CAPITA INCOME: $19,470 [U.S.] (1989)
(Exchange rate: $1.1513 Canadian = $1 U.S.)

Source: *DSN* research

> **Cross-border shopping has been a continuing thorn in the side of Canadian retailing.**

ENDLESS POSSIBILITIES

ENDLESS PROBLEMS

CROSS-BORDER SHOPPING COMPLICATING CANADIAN RETAILING

Canada's Top "Discount" General Merchandisers

Chain	1990 Sales (millions)*
Sears	$3,970
Canadian Tire[1]	2,612
Zellers	1,947
Woolworth[2]	1,904
Kmart	960 million

*U.S. dollars ($1 U.S. = $1.1513 Canadian)

[1] total gross revenues

[2] excludes specialty store sales—includes Woolworth, Robinsons, Woolco and Woolworth Express

Source: *DSN* research

(Continued from page 109)

For apparel, however, no vendor tax had been levied previously, so the 7% tax hike was not accompanied by a reduction in manufacturer pricing. The GST has made U.S. apparel retail prices that much more of a magnet.

Another force that could affect retail pricing—from both a merchandise and labor standpoint—is a proposal to radically increase the minimum wage in the province of Ontario. Unlike in the U.S., each province sets its own minimum wage. While most provinces are close to Ontario's current rate of $5.40 per hour (Canadian), there is a proposal to push minimum wage to $7.50 per hour over the next three years.

While pressure on minimum wage is rising—at least in Ontario—the employment figures are falling. The latest unemployment figures reflect a recessionary economy: unemployment for Canada in March was 11.7%. While big cities like Toronto, Vancouver and Quebec City were below this level by a few points, other areas, even large cities like Montreal, had 14% unemployment levels and higher.

The current economic doom and gloom has not bothered U.S.-based retailers which continue to build more and more stores.

Among the relatively more recent arrivals (most during the past several years) are specialty stores like Toys "R" Us; TJX Cos.' acquisition of Canada's Winners Apparel, Ltd.; The Gap, and club formats such as Price Co., Costco and Staples.

Despite the growing ranks of U.S. retailers, Walters at Zellers said he thinks there are more opportunities for U.S. retailers south of the border than north.

"There are higher real estate and labor costs here compared to the U.S. Retailers should ask themselves if there are more lucrative opportunities to be found in Canada, or to be found in strengthening present operations in the U.S."

Nonetheless, Toys "R" Us clearly decided Canada is a place to grow; during 1990 the company opened 23 new stores, bringing the total number of Toys "R" Us stores in Canada to 32.

The club formats are also mushrooming. Price Co. presently operates 10 clubs, with half of these locations in Quebec. Two of the most recent openings were in British Columbia, which was previously Costco turf. Costco operates three of its eight locations in Vancouver; four others are in the Alberta province and one is in Manitoba.

Zellers Comfortable in Tough Retailing Climate

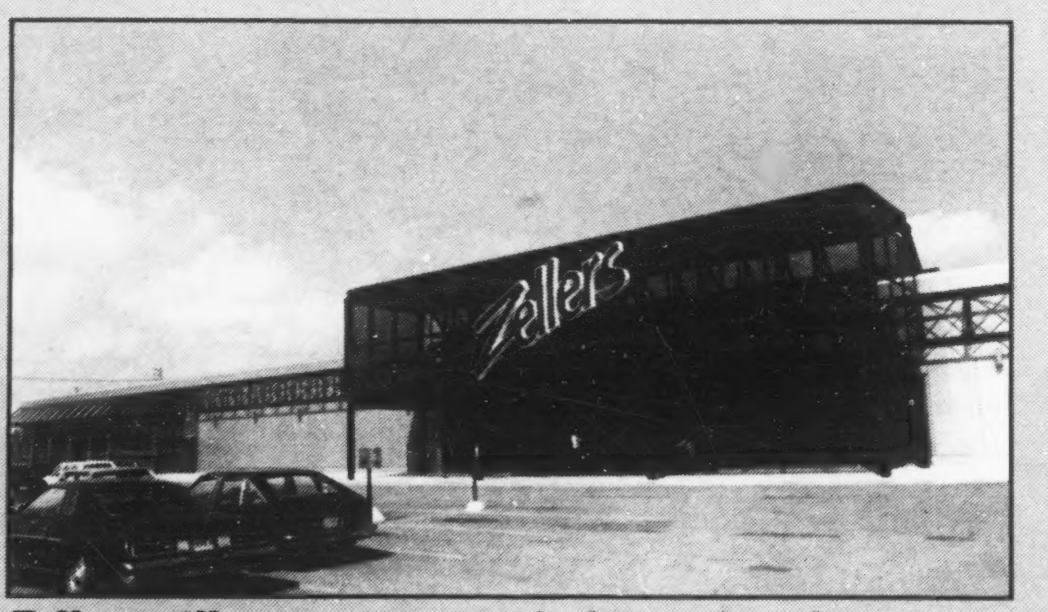
MONTREAL — Canada might be in the throes of its worst recession since World War II, but 265-unit Zellers—like several other discount stores—is weathering the storm comfortably.

In fact, while successfully digesting its 6 month old Towers Department Stores acquisition—the 46 Towers stores it kept from the 51-unit chain have been fully converted to the Zellers format—Zellers was also cultivating new retail formats.

Four new specialty store formats were opened last year, said Paul Walters, Zellers' president, and other specialty concepts are on the drawing boards. Ten more Zellers stores are slated to be opened by year's end. Long-range plans for Zellers put it at 350 stores by 1995.

The names of the specialty stores are in French because these test units are located in Montreal to make it easier for merchandisers and executives to monitor the performance at these locations.

Litery Etc.—which translates to Linens Etc.—is an 8,000-square-foot strip mall store which, Walters said, is most akin to a linens specialty discounter in the United States. Roughly 80% of the merchandise is soft home goods, stressing moderately priced department store brands at 20% to 40% off department store prices. Other departments are housewares, stationery, artificial flowers and a closet shop.



Zellers will open 10 more units by year's end. (DSN photo)

The specialty format which has already shown the most promise—and has already opened its second location—is Cuisine A Tout (translation: Housewares & More). Despite its compact size, Cuisine A Tout was opened in a regional shopping center.

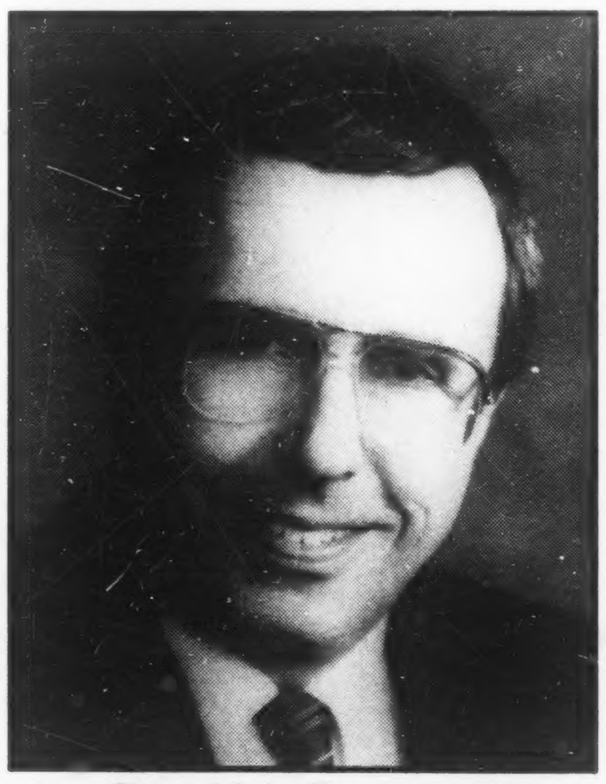
Le Marchand De Papier, or "The Paper Merchant" is a full service and full line stationery store with an office and home office focus. The test store is 5,000 square feet and is located in a regional shopping center.

Cienna Plus, which would require no translation outside of Quebec, is a large size women's apparel store with a career fashions, accessories and hosiery focus. "The whole special size category is projected to have considerable growth," he said. The optimal store size is between 2,500 to 3,000 square feet.

Limited future growth projections for Canada's retail market means Zeller's growth must come at the expense of other retailers.

Excluding Towers' sales, Zellers' 1990 sales reached $2.24 million, up 8% from 1989. Operating income for 1990 was up 12% to $203 million.

Walters estimates Zellers "owns" 20% of the $14 billion DSS market (department store sales.) While he believes Zellers to presently be third in sales volume behind Sears and Canadian Tire, Walters believes the chain will surpass Canadian Tire and become Canada's second largest general merchandise retailer by the end of 1991.



Donald A. Beaumont

Kmart's Beaumont Sees Opportunities

BRAMPTON, Ontario — Profitability, customer service and marketing the Kmart name are high priorities to new Kmart Canada president and ceo Donald A. Beaumont.

"There are opportunities to reinforce our position in the market," Beaumont told *DSN*. "I am already impressed with the hard work and dedication of the people I work with here at Kmart."

Kmart Canada operates 125 stores with plans to open another unit later this year, said Beaumont, the former Towers Department Stores executive.

"Canada is still in a recession, but we are doing far better than the norm, I believe. I surmise that mass merchandisers are fairing better than other retailers in this economy," he explained.

Switzerland's Migros a Retailer Meeting 'Societal Obligations'

(Continued from page 100)

tailer sales in 1989, (the most recent available figures), up 1.3% from 15.3% in 1988. In 1989, Migros' share of food sales was 22%, its general merchandise portion was 9.3[illegible] In 1988, the figures were [illegible]d, 21.5%, and non-food, 9.2%.

Like most European countries, Switzerland limits the periods in which retailers can run nationwide sales. In 1989, these specials accounted for 7.1% of food sales and 10% of general merchandise volume.

Migros' gain in retailer sales come on only a 1.3% net increase in stores to 541 units in 1990 from 534. Migros' 1989 count was also a seven store increase.

The cooperative runs a mix of units. The categories and count last year were: Migros Centers, offering a full range of food and non-food items, 35; Migros Markets, supermarkets with reduced non-food assortment, 176; M Stores, supermarkets with some non-food items, 192; and S Stores, neighborhood food stores, 101. There are also 37 specialty stores, 26 home centers, eight appliance and electronic units, two freestanding restaurants and one flower shop.

The company's total assortment includes about 29,000 sku's, around 5,000 food products and approximately 24,000 general merchandise items.

Migros Markets accounted for 43.5% of the cooperative's sales; the Migros Centers, 30.7%; M Stores, 14.3%; S Stores 2.9%; and specialty units 8.6%

Migros also serves small communities beyond the reach of traditional stores with a fleet of 91 Stores-on-Wheels that carry a basic assortment of food staples.

Serving small and isolated communities is part of Migros societal responsibilities. It spent just under 1% of sales in 1989 on its mini-governmental activities, which included language centers, an institute that holds conferences on Swiss political and economic issues, sponsorship of theater and musical group tours, scholarship and financial stipends to mountain schools and schools in poorer areas and laboratories that develop standards for food and non-food products, investigate health and safety problems and design environmental friendly products and packaging.

U.K. Primed for U.S. Retailing

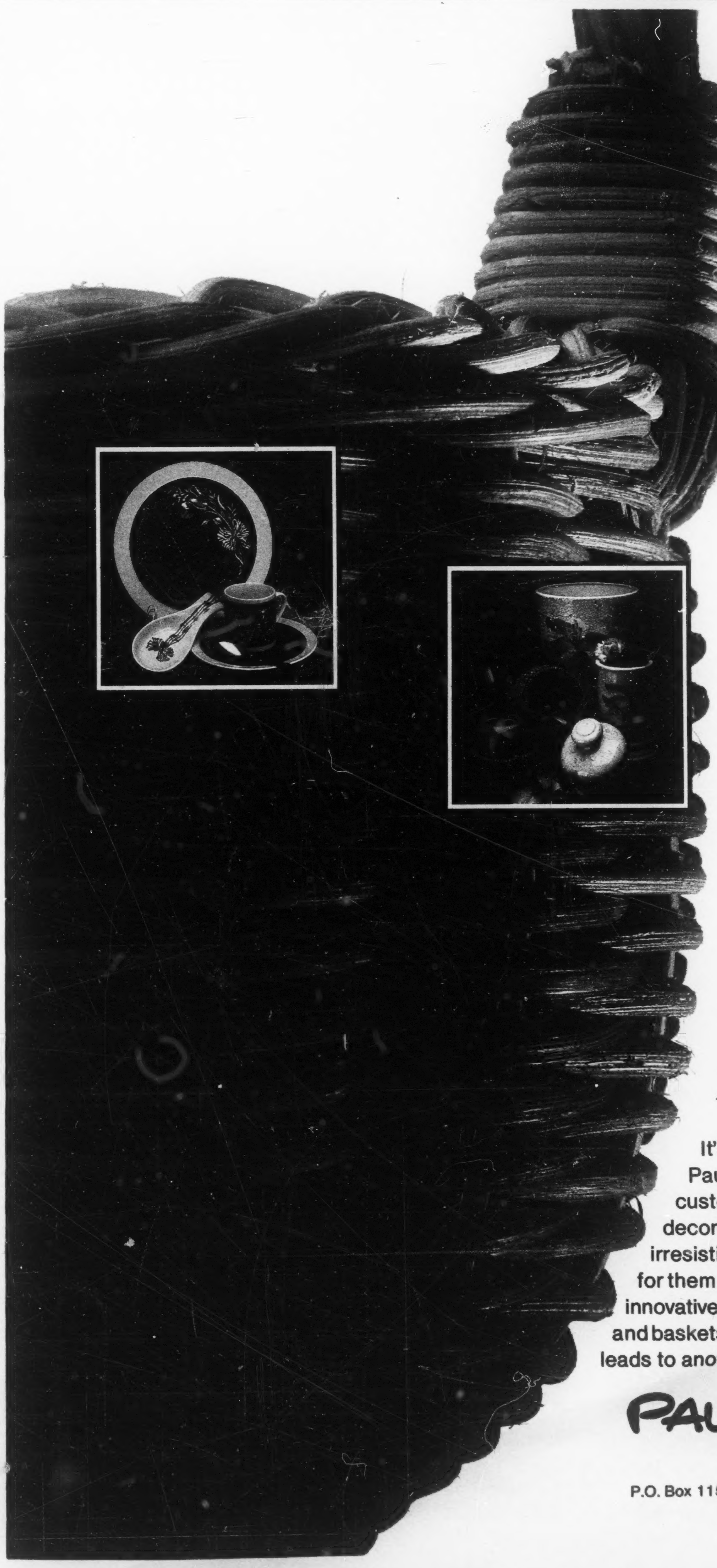
(Continued from page 96)

low prices on quality merchandise." Retailers he thinks could make the move include Nordstrom's or Dillards ("the quality department store, like House of Fraser, is still doing well here") on the strength of service, The Limited on the basis of its exclusive fashion merchandise and store size that would mesh neatly with existing vacancies, and, ironically, Home Depot, with its sharp prices, service and full selection.

If any retailer does make the jump, the key will be service. "British service is terrible," Marking said. "Americans teach good service from the moment they hire someone. Here, service people feel they've been hired to run a cash register or stock a shelf, not to be pleasant."

The Keyline system is one example. An on-line approach to teleshopping, Keyline combines top U.K. retailers like Littlewoods, ASDA, Gateway, Grattan, Ladbrokes and Mothercare and free computer terminals to produce a system that could quickly turn into a major player in the retail scene.

The terminals, which cost $75 or so to build, will be distributed for free to 3 million households by 1995, with the cost paid back to Keyline in the form of a surcharge to the merchant of about 50 cents to $1 per transaction.



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RETAILERS SEE FEW IMMEDIATE OPPORTUNITIES IN 'NEW EUROPE'

(Continued from page 100)

Monash said the litany of stumbling blocks working against U.S. merchants engaging in trans-Atlantic retailing ventures includes the following:

- Government restrictions. Reacting to pressure from small retailers, governments in most European nations have limited how many new stores can be opened, how large they can be and where they can be built. Restrictions are more severe in France and Italy and less so in Germany and the United Kingdom.

Many European governments have also restricted nationwide advertised promotions and sales to specific times—mainly end-of-summer and post-Christmas clearances—during the year. Chains, therefore, rely heavily on in-store promotions to draw shoppers.

- Labor relations. Unions, sometimes backed by religious groups, in a number of countries have limited the hours and days that stores can be opened, sharply restricting evening hours and Sunday selling.

Unions have also put into effect national contracts that cover all retailers so that companies cannot negotiate agreements that address their specific situations. These contracts in a number of cases curtail management's ability to reassign workers as needed.

But the outlook for chains is improving in Europe as consumers realize the two advantages offered by multistore operations: lower prices and a broader selection of merchandise. "The pendulum is slowly swinging toward large stores and concentration of larger stores, but Europe is still way behind the U.S.," Monash said.

European retailers see Europe as their most lucrative and logical market. They already know the operational ground rules and it's easier to distribute goods next door as compared to across the Atlantic.

As chains account for a growing share of the retail market in the more economically advanced Northern European countries, they are thrusting into Southern Eu-

(Continued on page 118)

ITALY

CAPITAL: Rome
AREA: 116,324 square miles
GOVERNMENT: Republic
POPULATION: 57,576,000 (1990)
LANGUAGE: Italian
GNP: $947.4 billion [U.S.] (1989)
PER CAPITA INCOME: $14,200 [U.S.] (1988)
LARGEST RETAILER: Co-op Italia
GNP = Gross National Product
Source: *DSN* research

SPAIN

CAPITAL: Madrid
AREA: 194,897 square miles
GOVERNMENT: Parliamentary Monarchy
POPULATION: 38,925,000 (1990)
LANGUAGE: Spanish
GNP: $379.5 billion [U.S.] (1989)
PER CAPITA INCOME: $7,390 [U.S.] (1987)
LARGEST RETAILER: El Corte Ingles
GNP = Gross National Product
Source: *DSN* research

NETHERLANDS

CAPITAL: Amsterdam
AREA: 13,103 square miles
GOVERNMENT: Constitutional Monarchy
POPULATION: 14,892,000 (1990)
LANGUAGE: Dutch
GNP: $247.3 billion [U.S.] (1989)
PER CAPITA INCOME: $15,170 [U.S.] (1988)
LARGEST RETAILER: Vendex International
GNP = Gross National Product
Source: *DSN* research

SWEDEN

CAPITAL: Stockholm
AREA: 170,250 square miles
GOVERNMENT: Constitutional Monarchy
POPULATION: 8,401,098 (1989)
LANGUAGE: Swedish
GNP: $198.5 billion [U.S.] (1989)
PER CAPITA INCOME: $13,897 [U.S.] (1988)
LARGEST RETAILER: ICA
GNP = Gross National Product
Source: *DSN* research

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EASTERN EUROPE A RISKY BUSINESS BUT STRIVING FOR FREE MARKET

(Continued from page 104)

Smitty's Lumberteria in Alexandria, Va., a two-store hardware store chain associated with the ServiceStar network, expects to open his first store in Moscow in June.

The product of a joint venture, Smith's Moscow store will be the start of his Eastern European expansion program. He is already negotiating for sites in Poland.

"It looks like you can sell anything and everything over there," Smith said. He has not only been welcomed but treated as a preferred investor.

His Moscow store will be 1,500 square feet with 2,000 square feet of storage in the basement and offer a still undetermined list of goods.

Woolworth, which had stores in what is now Poland and Czechoslovakia prior to 1948, will only expand its European store base as far east as Eastern Germany for now, said William Lavin, executive vice president, finance and chief financial officer.

Currently, Woolworth has three variety stores in eastern Germany and hopes to have 10 stores there by the end of the year, and 40 to 60 stores there in five years.

"Our experience is that the demand for consumer products is unquenchable right now for basic goods," he said, calling sales "fantastic."

But the lack of hard currency throughout the East is keeping Woolworth from venturing beyond German borders. That could all change next year.

In addition to the variety stores, Lavin said Woolworth will expand both its Moderna shoe stores and Rubin costume jewelry stores, the same format as its After Thoughts stores in the United States, in Eastern Germany.

Another addition to the East is The American Store in Moscow, a joint venture from Bosmosco, representing investors from Boston and Moscow. The 20,000-square-foot store opened April 8 with products from over 100 U.S. companies such as Emerson, Kimberly Clark and Procter & Gamble.

Items are sold for hard currency to Soviet businesses who give them to their employees as incentives. Multiple units are a possibility, said Martin Adler, partner, adding that Bosmosco plans to open a Russian store in Boston this fall.

Kmart's Carlson Addresses U.S.S.R.

(Continued from page 104)

ed Kingdom—which is a distributor for Symbol Technology and other products in the Soviet Union—and the Central Committee on Publishing in the Soviet Union, Carlson said.

In addition to his speech, Carlson also participated in a question and answer session with various conference speakers that lasted 7½ hours.

The audience was full of trade ministers, or heads of very large firms, from each of the country's 15 Republics. They were "so intent on learning from others," Carlson said.

In September, Carlson said he will expand upon his speech on QR and give insight into the equipment needed to accomplish a true QR program.

Carlson was invited to become a speaker at AIM-Europe from a contact he met at last October's technology conference. Since his return, he has also been invited to consult with the Minister of Trade of Estonia, a Baltic Republic. The meeting will take place either in Riga during the upcoming two-day meeting, or Carlson will travel to Estonia.

WESTERN EUROPE: A MARKET IN FLUX

(Continued from page 115)

rope—Italy, Greece and the Iberian Peninsula—which are relatively undeveloped retailing markets. At the same time, West Germany chains are racing into East Germany.

Western European retailers are also lining up to rush into Eastern Europe as that market develops. As Eastern Bloc countries solve such questions as the ownership of nationalized retailers, the stampede will begin, albeitby 1992.

European retailers' interest in the United States, apart from the few success niche merchants, is expected to continue to be focused on investing in successful U.S. chains. A similar situation is seen as applying to U.S. retailers eyeing Europe. U.S. retailers that have successfully invaded Europe have followed a basic rule: hire executives from the targeted country to operate local stores, but train them in America.

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HQ Stores Provide Peek at Wal-Mart

(Continued from page 1)

"Sound Associates," located in the consumer electronics department, is a video kiosk that offers information for about 100 audio products. While it doesn't have direct order capability, the kiosk, supplied by AVCA, provides shoppers with a printout containing price, model, sku number, and basic features.

"Arts Report," a video kiosk also located in the CE department, offers short previews of top music and movie hits. Unlike Sound Associates, it offers customers the option of ordering by mail from over 5,000 products.

The electronic shelf tags, supplied by Price Link, are being tested only in high traffic areas such as paper goods and household chemicals. The LCD tags mount directly to the shelf and are controlled in the back room.

"Consumerscan" is similar to a device being employed by Target Stores in its Greatland Store of the '90s prototype in Minneapolis. It is simply a bar code scanner built into a basic kiosk that allows customers to check prices themselves. For example, a customer scans the merchandise and the screen displays the price. This is tied into the main system so prices for every item in the store are available. There are three Consumerscan kiosks throughout the store in the hardware, H&BA, and children's apparel departments.

Shoppers' profiles refers to the ability of the automotives department, or Lube Express, to capture data of shoppers. It is set up like an auto dealership's service department. For example, customers receive letters reminding them that it's time for their next oil change.

Sandy Glover, director of stores systems development, said that it's too early to evaluate which tests are viable and which items, if any, may be rolled out chainwide. She said customers are being surveyed within the store regarding the different applications. For example, comment cards are stacked on the customer scanners throughout the store.

Glover pointed out that each test must meet three specific requirements:

1. If it pays, it stays.
2. It must enhance the shopping experience.
3. It must help the associates.

Glover said that Wal-Mart currently has no plans to test frequent shopper programs, automatic checkout, instant couponing at point-of-purchase, or debit cards.

The Rogers test store also has several merchandising improvements, some of which were previously tested in the vendor store and hypermarts. They include wider aisles, more benches throughout the store, and expanded departments. Other changes include:

- A separate cosmetics department with a glass counter display featuring Estee Lauder products;
- Worm Bar, a 25-foot run of fishing lures and bait;
- Expanded pet department highlighted by a huge aquarium facing the main racetrack aisle;
- In automotives, use of warehouse style fixturing for motor oil, a battery kiosk and expanded tire wall display;
- Expanded shoe department designed by lead vendor E.S. Originals;
- Upgraded fixtures and signage throughout soft lines departments;
- Upgraded jewelry display case with black accents that create a marble look.

The Rogers store also has a one-hour photo department and a full service optical department called Vision Center.

International Retailing Drives Woolworth Gains

(Continued from page 1)

cialty stores) were 56% of total 1990 volume. Its Canadian operations amounted to 25% of the total, Europe had 17% and Australia 2%.

The five-and-dime type formats are no longer the focus of growth; There were 1,653 variety or general merchandise stores open at the end of 1990, while the specialty store count soared to 6,966 locations.

It is in the European market where Woolworth sees the greatest opportunity.

"We see Europe as an area for further expansion of our Woolworth division, but the biggest movement is in the Footlocker specialty store business. We expect to open 1,000 more Footlockers in Europe in the next 10 to 15 years," said Barry Thomson, head of corporate affairs.

The total number of Footlockers in Europe is now 47, with the highest concentration in the Netherlands, 20, and Germany, 14. The rapid expansion of the format was aided by last year's start of a new Netherlands subsidiary called Foot Locker Europe B.V. The Netherlands subsidiary purchased a five-unit chain, Sportsworld B.V., last February. At the same time, Woolworth acquired eight stores called Freedom in England. These too were slated to be converted into the Footlocker format.

As it stands, the Woolworth variety stores are presently open only in the United States, Canada and Germany, but Thomson said the company is "monitoring the situation in Eastern Europe very closely. It is very difficult to work in that area. There are questions about getting the right systems in place."

The majority of Woolworth stores are in the United States. A total of 966 Woolworth and 50 Woolworth Express units were open at the end of 1990. Canada is home to 189 Woolworth stores (also called Robinsons in some locations), 147 Woolco department stores and two Woolworth Express locations.

Germany store counts are quickly gaining, with 233 Woolworth and 66 "mini-shops" in operation last year.

Woolworth has also been operating in Mexico for decades, most recently with a 49% interest in Woolworth Mexicana S.A. deC.V.

In 1989, 44 stores were in operation. Another five were added just last year.

Hills Uses Ad Circulars To Help Boost Its Sales

(Continued from page 1)

1990 results. Operating income plunged 37% to $67.7 million from $108.1 million.

Sales for fiscal 1990, a 52-week year ended Feb. 3, 1991—a day before it filed Chapter 11 bankruptcy—rose 3.1% to $2.14 billion from $2.08 billion for the 53-week fiscal 1990. Same store sales for the year rose 1.3% but for the critical fourth quarter dropped 5.7%.

Despite these results and the chain's Feb. 4 bankruptcy filing, John Reen, senior vp and cfo, said business has been "very good, measuring against the plan."

Through the first nine weeks of this year, revenues exceeded plan by more than $20 million, Reen said, adding that the chain had not drawn upon any of the $250 million in debtor-in-possession financing it has available. He said Hills probably would borrow "a little" in April. Inventory levels also are "where they should be."

Hills' brightening financial picture is attributable to business decisions that have included the closing of 60 stores and vendor support. Reen said Hills is averaging close to 30-day terms on all orders.

Hills also is getting more aggressive in its solicitation of sales. Although still an everyday low price operator, Hills is continuing to enlarge its circular program as a means of communicating with its customers.

This year, Hills will produce as many as 27, 16- to 32-page, four-color circulars, up from 20 last year. Historically, Hills produced only six to eight circulars a year. TV ads, strategically placed during peak sales periods, also are being cut in favor of circulars.

Also on the rise in the circulars is Hills' "Special Savings Coupons." Tried last year, the program is being expanded in 1991. These coupons are located on almost every page of the circular. In the March 17 to 23 circular, for example, Hills included 65 coupons totaling $424.65 in savings.

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